

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Land Division
Honolulu, Hawaii 96813

August 12, 2010

Ref. No.: GLS-5187

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

HAWAII

Consent to Assign General Lease No. S-5187, Equilon Enterprises LLC and Aloha Petroleum, Ltd., Assignor, to Aloha Petroleum, Ltd., Assignee, Waiakea, South Hilo, Hawaii, Tax Map Key: 3rd/ 2-1-09: 42.

APPLICANT:

Equilon Enterprises LLC and Aloha Petroleum, Ltd., as Assignor, to Aloha Petroleum, Ltd., a Hawaii corporation, as Assignee.

LEGAL REFERENCE:

Section 171-36(a)(5), Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands situated at Waiakea, South Hilo, Hawaii, identified by Tax Map Key: 3rd/ 2-1-09: 42, as shown on the attached map labeled **Exhibit A**.

AREA:

2.66 acres, more or less.

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution:

YES ____ NO x

CHARACTER OF USE:

Solely for bulk storage and distribution of petroleum products purposes.

August 12, 2010

TERM OF LEASE:

25-years, commencing on May 19, 1989 and expiring on May 18, 2014. Last rental reopening occurred on May 19, 2004. No additional rental re-openings are scheduled.

ANNUAL RENTAL:

\$50,760.00.

CONSIDERATION:

None

RECOMMENDED PREMIUM:

Not applicable as this assignment/ transaction is merely a transfer of the entire lease interest and value of assets to the remaining Assignee.

DCCA VERIFICATION:

ASSIGNOR:

Place of business registration confirmed:	YES <u>x</u>	NO
Registered business name confirmed:	YES <u>x</u>	NO
Good standing confirmed:	YES <u>x</u>	NO

ASSIGNEE:

Place of business registration confirmed:	YES <u>x</u>	NO
Registered business name confirmed:	YES <u>x</u>	NO
Good standing confirmed:	YES <u>x</u>	NO

REMARKS:

General Lease No. S-5187 is currently held by Equilon Enterprises LLC and Aloha Petroleum, Ltd., as Tenants in Common, each holding an undivided fifty-percent interest in the lease.

By letter dated July 7, 2010, Sheila Mitchell, Agent for Equilon Enterprises LLC, requested consent to assignment of all of its rights and interests granted by General Lease No. S-5187 to Aloha Petroleum, Ltd. **(Exhibit B)** Aloha Petroleum, Ltd., will pay no consideration for the assignment of the lease.

Equilon Enterprises LLC and Aloha Petroleum, Ltd., report that the Total Book Value for their Hilo-Aloha Terminal is \$359,058. Therefore, their respective undivided fifty-percent interest is \$179,529.

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Pursuant to the Board's Assignment of Lease Evaluation Policy adopted at its meeting of December 15, 1989, Item F-10, as amended at its meetings of September 14, 1990, Item F-21, and June 13, 2003, Item D-28, the Board is authorized to assess a premium for a lease assignment under certain circumstances. However, the policy only applies to leases entered into after 1989 that include a provision allowing the application of the policy. The subject lease was executed in December 1989 and does not contain the assignment premium provision. Staff confirmed with the Land Division appraiser that the lease does not contain the premium provision. Accordingly, no premium is due to the State under the assignment.

Staff reviewed the file and can report that Equilon Enterprises LLC and Aloha Petroleum, Ltd. are in compliance with all lease terms and conditions. Liability and Fire Insurance is current with expiration for 4/1/2011. Surety Bond No.105441120, in the amount of \$101,520 is through Travelers Casualty and Surety Company of America and will expire on 5/18/2014.

Aloha Petroleum, Ltd., Assignee, has not had a lease, permit, easement or other disposition of State lands terminated within the last five years due to non-compliance with such terms and conditions.

The final rental reopening was conducted on 5/14/2004. There are no outstanding rental reopening issues.

No agency or interest groups were solicited for comments, as there will be no new disposition or change in land use.

RECOMMENDATION:

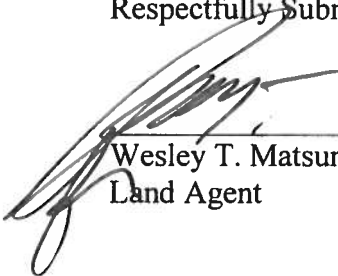
That the Board consent to the assignment of General Lease No. S-5187 from Equilon Enterprises LLC and Aloha Petroleum, Ltd., as Assignor, to Aloha Petroleum, Ltd., as Assignee, subject to the following:

1. The standard terms and conditions of the most current consent to assignment form, as may be amended from time to time;
2. Review and approval by the Department of the Attorney General; and

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3. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,

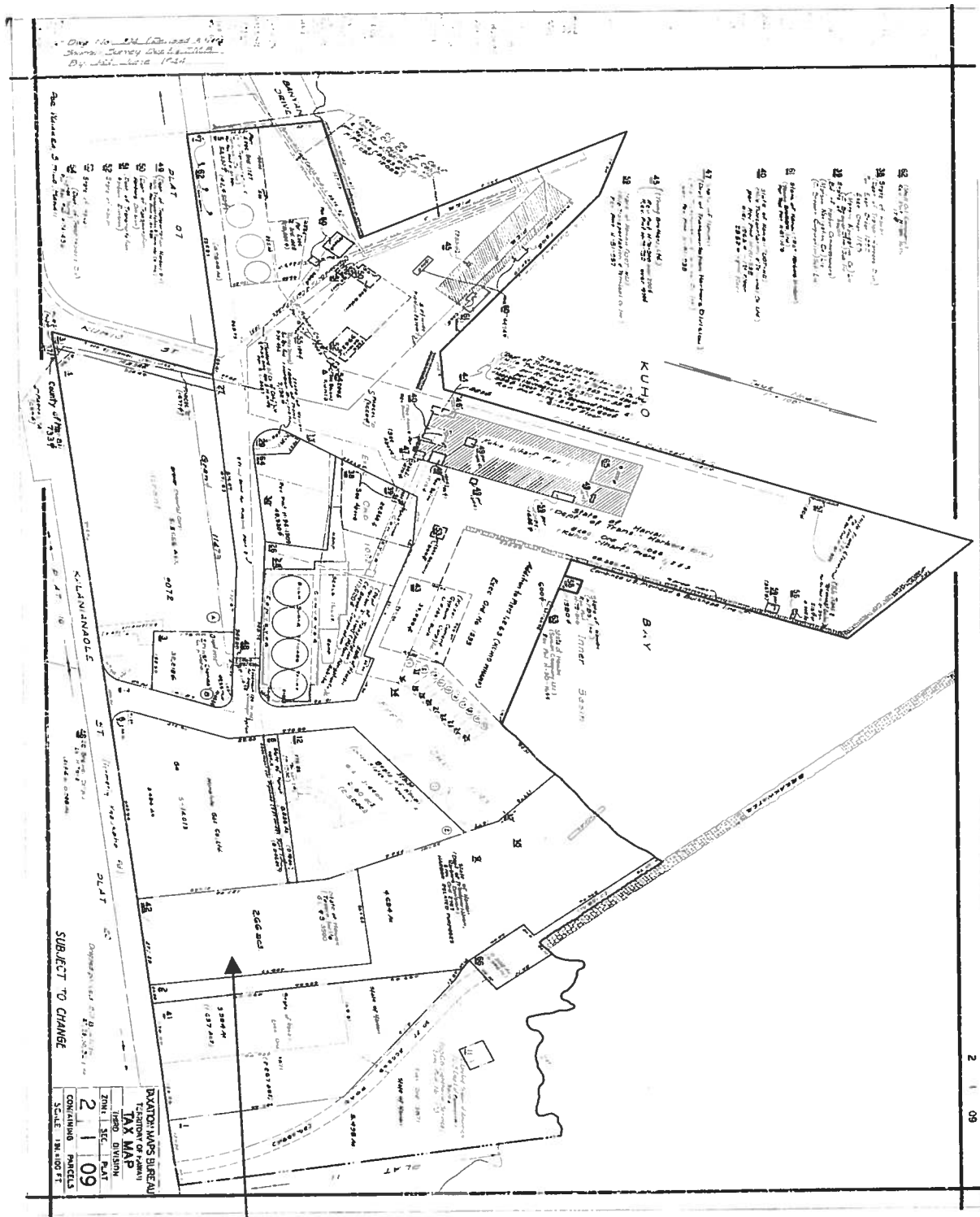


Wesley T. Matsunaga
Land Agent

APPROVED FOR SUBMITTAL:



Laura H. Thielen, Chairperson



Subject

EXHIBIT A

August 12, 2010



Shell Pipeline Company LP
P.O. Box 2648
TSP 1563
Houston, Texas 77252-2648

July 7, 2010

CONSENT TO ASSIGNMENT
GENERAL LEASE S-5187
EQUILON ENTERPRISES LLC, GRANTOR
ALOHA PETROLEUM, LTD., GRANTEE
HILO CO-TENANCY TERMINAL

Wesley T. Matsunaga
Department of Land and Natural Resources
75 Aupuni Street, Room 204
Hilo, HI 96720

Dear Mr. Matsunaga:

The Hilo Co-Tenancy Terminal, aka Hilo Aloha Terminal, is located on the lands leased under General Lease S-5187. Equilon Enterprises LLC and Aloha Petroleum, Ltd. share the assets at the terminal as tenants in common. Equilon is selling all of its Hawaii assets to Aloha. The proposed sale is being reviewed by federal and state regulatory agencies.

Equilon requests permission to assign all of its rights and interests granted by General Lease S-5187 to Aloha, pending regulatory approval. The Request for Consent to Assignment form, the proposed form of assignment and tax clearance are all attached.

Please contact me at 713.241.9929 or Sheila.y.mitchell@shell.com if you need additional information.

Sincerely,

A handwritten signature in black ink that reads "Sheila Mitchell".

Sheila Y. Mitchell
Agent, Equilon Enterprises LLC.

EXHIBIT B